

NEW APPLICATION

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Attorneys for Applicant Northern Sunrise Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF NORTHERN SUNRISE WATER
COMPANY, AN ARIZONA
CORPORATION, FOR AUTHORITY (1)
TO ISSUE EVIDENCE OF
INDEBTEDNESS IN AN AMOUNT NOT
TO EXCEED \$137,670 IN CONNECTION
WITH (A) THE IMPLEMENTATION OF A
METER CHANGE OUT PROGRAM AND
(2) TO ENCUMBER ITS REAL
PROPERTY AND PLANT AS SECURITY
FOR SUCH INDEBTEDNESS.

W-20453A-09-0118

DOCKET NO. W-20453A-09-

APPLICATION (FINANCING)

Pursuant to A.R.S. §§ 40-285, 40-301 and 40-302, Northern Sunrise Water Company ("NSWC" or the "Company"), an Arizona public service corporation, hereby applies for authority from the Arizona Corporation Commission ("Commission") to (1) issue evidence of indebtedness in an amount not to exceed \$137,670 on the terms and conditions to be set forth by the Water Infrastructure and Finance Authority ("WIFA"), and (2) encumber its real property and utility plant as security for such indebtedness. This debt will be incurred for the purpose reducing water loss within its system while promoting water conservation.

In support of this application, NSWC states as follows:

1 **A. General Background.**

2 1. The Company is a public service corporation providing water service to
3 approximately 353 customers in Santa Cruz County, Arizona. NSWC's current rates and
4 charges were authorized in Decision No. 68826 (June 29, 2006).

5 2. NSWC's business office is located at 4055 Campus Drive, Sierra Vista,
6 Arizona 85635. Its telephone number is (520) 458-5470, and its telecopier number is
7 (520) 459-6680. The Company's primary management contact is Greg Sorensen.
8 Mr. Sorensen is also responsible for overseeing and directing the conduct of this
9 Application. His telephone and telecopier numbers are (623) 298-3753 and (623) 935-
10 1020, respectively. His email address is Greg.Sorensen@algonquinwater.com. All
11 discovery, data requests and other requests for information concerning this Application
12 should be directed to Mr. Sorensen, with a copy to counsel for the Company in this
13 matter, Jay L. Shapiro (jshapiro@fclaw.com).

14 3. Financial statements for the twelve-month period ending December 31, 2008,
15 are attached at **Exhibit 1**.

16 **B. Purposes of Financial Transactions.**

17 4. The primary purpose of the long-term debt financing contemplated herein is
18 to implement a meter change out program which will reduce water loss within its system
19 while promoting water conservation.. The total estimated cost of the additional plant and
20 improvements is approximately \$137,670.00. The Company will provide a detailed
21 breakdown of the estimated cost of the water system improvements as a late-filed exhibit.
22 The water infrastructure improvements are necessary to reducing water loss within its
23 system while promoting water conservation

24 **C. Terms and Conditions of Financial Transactions.**

25 5. The Company has applied to WIFA for financing, in large part, because
26 WIFA expects to receive monies from the recent federal stimulus package. Copies of the

1 Company's WIFA application is attached hereto as **Exhibit 2**. However, the specific,
2 actual terms of the WIFA financing are not known at this time. NSWC will supplement if
3 and when such information becomes available.

4 6. The Company expects that its repayment obligation to WIFA will be secured
5 by the grant of a security interest in some or all of its real property and its water plant and
6 system, which property and facilities are yet to be identified.

7 **D. Effects of Financial Transactions.**

8 7. The Company's proforma balance sheet for the period ending December 31,
9 2008, is attached at **Exhibit 3**. The pro forma balance sheet reflects the impact of the
10 financing transactions that are the subject of this Application. The pro forma income
11 statements will be filed as a late filed exhibit to this Application. The loan proceeds will
12 be issued for lawful purposes, and the execution of the loan agreement with WIFA and the
13 grant of a security interest in NSWC's real property, plant and system, and the
14 undertaking of the obligations set forth therein are within the Company's corporate
15 powers. A Corporate Resolution authorizing the contemplated transaction is attached at
16 **Exhibit 4**.

17 8. The financial transactions contemplated herein are compatible with sound
18 financial practices. NSWC has been urged by the Commission's Chairman to seek WIFA
19 financing to help address capital improvement needs with low cost financing. NSWC
20 agrees that the pursuit of such financing is warranted.

21 9. The approvals sought herein are compatible with the public interest and with
22 the proper performance of NSWC's duties as a public service corporation. The proceeds
23 of the financing will be utilized exclusively to implement a meter change out program
24 which will reduce water loss within its system while promoting water conservation. No
25 portion of the proceeds will be used to pay operating expenses. The approvals sought
26 herein are necessary to ensure the Company's ability to continue to provide safe and

1 reliable water utility service in compliance with all applicable law and regulation,
2 including the rules and regulations of ADEQ.

3 10. The financing contemplated herein will not impair the Company's ability to
4 perform its duties as a public service corporation providing water utility service.

5 11. NSWC is in the process of providing notice of this application by publishing
6 notice, in the form provided by the Commission, in a newspaper of general circulation in
7 the area in which the Company provides service. Proof of publication and a true copy of
8 the notice as it appeared in the newspaper will be filed with the Commission.

9 12. The Company is submitting this Application at this time due to WIFA
10 requirements, and shall seasonably provide supplements as additional information
11 becomes available.

12 Based on the foregoing, Northern Sunrise Water Company respectfully requests
13 the following:

14 A. That the Commission consider this application on an expedited basis,
15 including the scheduling of a hearing, if necessary, on this matter as soon as practicable;

16 B. That the Commission enter an order approving this Application and
17 authorizing Northern Sunrise Water Company to incur indebtedness in an amount not to
18 exceed \$137,670 and to encumber its real property and utility plant and system to secure
19 such indebtedness for the purposes described hereinabove; and

20 C. That the Commission authorize Northern Sunrise Water Company. to take
21 such other and further action as may be necessary to effectuate the purposes of this
22 Application, as may be appropriate under the circumstances herein.

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RESPECTFULLY SUBMITTED this 13th day of March, 2009.

FENNEMORE CRAIG, P.C.

By: 

Jay L. Shapiro

Patrick Black

Attorneys for Applicant Northern Sunrise
Water Company

ORIGINAL and 15 copies delivered this
13th day of March, 2009 to:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

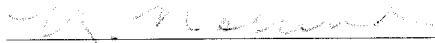
By: 
2175346.1/20898.001

EXHIBIT 1

Nothorn Sunrise
Profit and Loss Statement
For the Year Ended December 31, 2008

	<u>2008</u>
Revenue	
Metered Water Revenues	\$186,224
Other Revenues	3,504
Total Revenue	189,728
Operating Expenses	
Purchased Power	15,245
Chemicals	181
Materials & Supplies	5,753
Contractual Services - Testing	1,192
Contractual Services - Other	143,244
Contractual Services - Legal	7,260
Equipment Rental	140
Transportation Expenses	23,032
Insurance - General Liability	8,646
Regulatory Commission Expense	(50)
Miscellaneous Expense	9,378
Bad Debt Expense	4,228
Depreciation & Amortization	32,459
Property Taxes	6,035
Total Operating Expenses	256,743
Operating Income	(67,015)
Interest Expense	(20)
Total Other Income (Expense)	(20)
Net Profit (Loss)	(66,995)


EXHIBIT 2

Nothern Sunrise
BALANCE SHEET
AS AT December 31, 2008

	2008	Ajdustments	2008 Proforma
ASSETS			
Current Assets			
Cash - Operating	(\$37,595)		(\$37,595)
Accounts Receivable	16,879		\$16,879
Prepays	6,565		\$6,565
Total Current Assets	(14,151)		(14,151)
Net Property Plant and Equipment	798,264	137,600	935,864
Total Assets	784,113	137,600	921,713
LIABILITIES			
Current Liabilities			
Accounts Payable and Accrued Liabilities	49,518		\$49,518
Current Taxes Payable	(2,845)		(\$2,845)
Total Current Liabilities	46,673		46,673
Long Term Liabilities			
Intercompany Notes Payable	185,736		\$185,736
Third Party Loans		137,600	\$137,600
Customer Meter Deposits	410		\$410
Total Long Term Liabilities	186,146	137,600	323,746
Total Liabilities	232,819	137,600	370,419
SHAREHOLDERS EQUITY			
Contributed Capital			
Common Shares	636,204		\$636,204
Total Contributed Capital	636,204		636,204
Earnings			
Retained Earnings	(17,911)		(\$17,911)
Year to Date Income	(66,999)		(\$66,999)
Total Earnings	(84,910)		(84,910)
Total Shareholders' Equity	551,294		551,294
Total Liabilities and Equity	784,113	137,600	921,713

EXHIBIT 3

DRINKING WATER APPLICATION
Water Infrastructure Finance Authority of Arizona (WIFA)
Project Financial Assistance Priority List Application

SECTION 1: APPLICATION INFORMATIONAPPLICATION NUMBER: DW-190-2009 |  **Print**

- 1.1 Applicant: Northern Sunrise Water Company Job Title: Business Manager
- 1.2 Contact Names: First Martin Middle Initial: K Last: Garlant
- 1.3 Address: 4055 Campus Dr City: Sierra Vista State: AZ Zip: 85636
- 1.4 Phone: (520) 281-7000 Fax: (520) 281-7433 E-Mail: martin.garlant@algonquinpower.com
- 1.5 County in Which Project is Located: Cochise
-
- 1.6 Number of Connections to System: 353 Population Served by the System: 1059
- 1.7 Average Monthly Fee (Base + Use): \$45.00
- 1.8 Existing Debt (principal only) Payable by System Users: \$0.00
- 1.9 Median Household Income: \$32,105.00
- 1.10 ADEQ System Identification Number (PWS #): AZ0402013
- 1.11 Are you ACC Regulated? ☒ Yes ☐ No
- 1.12 Has this project received prior year WIFA funding?
- ☒ No
- ☐ Yes, request is for a multi-year construction project that received assistance in a previous funding cycle
- ☐ Yes, request is to construct a project that received TA funds in a previous funding cycle
- ☐ Yes, request is for additional financial assistance to offset actual costs of justified overruns
- 1.13 Is your company registered with the E-Verify Program? ☒ Yes ☐ No
(You will be required to provide proof of participation prior to the execution of a loan or grant agreement.)

SECTION 2: PROPOSED DRINKING WATER FINANCIAL ASSISTANCE PROJECT

- 2.1 Project Title/Name: Meter Replacement Program
- 2.2 Type of loan required during this funding cycle? ☐ Design \$0.00 and/or ☒ Construction \$137,670.00
- 2.3 Briefly summarize below the problem *(Mail or upload any supporting documentation)*

Northern Sunrise Water Company (NSWC) consists of the former McLain water system in the Whetstone, AZ area, in the San Pedro River N Area. The former owner and operator did not have a meter replacement program. The majority of the meters are in excess of 20 years old. Consequently, not read accurately, resulting in an average water loss of 25%.

- 2.4 Briefly summarize below the Solution

Implementing a full-scale meter replacement program would reduce water loss significantly, as well as promote water conservation efforts by including leak detection capabilities.

- 2.5 Project Purpose: *(Select only one)*

- ☐ Assist Non-Compliant Systems to Achieve Compliance
- ☐ Assist Compliant Systems to Meet Future Requirements
- ☒ Assist Compliant Systems to Maintain Compliance
- ☐ Other Assistance Not Compliance Related

SECTION 3: EXISTING CONDITIONS AND PROJECT BENEFITS

3.1 Select Type(s) of Needs to be Funded

- | | | |
|--------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------|
| <input type="checkbox"/> Planning and Design Only | <input type="checkbox"/> Treatment-Bacteriological | <input type="checkbox"/> Treatment-Surface Water |
| <input type="checkbox"/> Treatment-Nitrate | <input type="checkbox"/> Treatment-Arsenic | <input type="checkbox"/> Treatment-Radionuclides |
| <input type="checkbox"/> Treatment-Organic Chemical(s) | <input type="checkbox"/> Treatment-Primary Standard [Metals(s)] | <input type="checkbox"/> Treatment-DBP |
| <input type="checkbox"/> Treatment-Other | <input checked="" type="checkbox"/> Transmission and Distribution | <input type="checkbox"/> Source |
| <input type="checkbox"/> Storage | <input type="checkbox"/> Purchase of System(s) | <input type="checkbox"/> Restructuring |
| <input type="checkbox"/> Land Acquisition | | |

3.2 Select Expected Project Benefit(s)

- | | | |
|------------------------------------------------------------------------|--------------------------------------------------------|-----------------------------------------|
| <input checked="" type="checkbox"/> Compliance - Existing Requirements | <input type="checkbox"/> Compliance - New Requirements | <input type="checkbox"/> Expand Service |
| <input type="checkbox"/> Reduce Public Health Risks | | |

3.3 Water Quality Improvement

- | | |
|-------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| <input type="checkbox"/> Proposed project addresses deficiencies identified by ADEQ | <input type="checkbox"/> Submitted a complete capacity development plan to ADEQ |
| <input type="checkbox"/> Proposed project includes installing meters to monitor water use | |

3.4 Consolidation and Regionalization

- | | |
|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Consolidate physical facilities of existing multiple facilities | <input type="checkbox"/> Extending service to existing areas currently served by another |
| <input type="checkbox"/> Consolidate the operations of existing multiple facilities | <input type="checkbox"/> Consolidate the ownership of existing multiple facilities |

3.5 System Compliance *must mail or upload supporting documents

- ☐ Notice of violations and/or consent orders from regulatory agency *
- ☒ In compliance

SECTION 4: READINESS TO PROCEED INDICATORS

4.1 Debt Authorization (For more information, see WIFA Debt Authorization Guidance Document)

- ☒ Authorized (mail or upload copy of official governing body debt authorization resolution or election results)
- ☐ Date of Election or Authorization Unknown
- ☐ Scheduled
- If scheduled, enter anticipated election or authorization date: _____ [mm/dd/yyyy]

4.2 Project Design (Select only one)

- ☒ Completed ☐ Engineer Selected ☐ Date of Completion Unknown ☐ Scheduled for Completion
- Enter anticipated completion date: _____ [mm/dd/yyyy]

4.3 Applicable Plan and Specification Approvals (Select only one)

- ☐ Obtained (mail or upload approval notification)
- ☐ Date of Approval Unknown
- ☒ Not Applicable (use textbox below to explain)
- ☐ Scheduled to Obtain Permits
- If scheduled, enter anticipated permit(s) date: _____ [mm/dd/yyyy]
- If not applicable, then explain: Replacement of existing meters

4.4 Project Bids (Select only one)

- ☐ Solicited Project for Bidding ☐ Date of Solicit Unknown ☒ Scheduled to Solicit Bid(s)
- If scheduled, enter anticipated bid award date: 5/15/2009 [mm/dd/yyyy]

SECTION 5: REQUESTED AMOUNT AND CERTIFICATION/APPROVAL

5.1 Estimated Date WIFA Funding Required: 7/1/2009 [mm/dd/yyyy]5.2 Estimated Financial Assistance Costs & Funding Source (*Soft costs*)

Funding Source	Project Costs
Amount Funded Locally:	\$0.00
Amount Requested from WIFA:	\$137,670.00
Other Source: _____	\$0.00
Total Cost:	\$137,670.00

5.3 As the Authorized Representative, I certify that the information contained in this application is, to the best of my knowledge, true, accurate.

First Name	Last Name	Title
Martin	Garlant	Business Manager

5.4 Uploaded Supporting Documents

Reference Name	Document Name	Original Name
Debt Authorization	DOC-730001.pdf	RA Letter - Debt Authorization - March 12 2009.pdf

Authorized Signature: Date: 3/16/09

ADDENDUM TO PPL APPLICATION
Water Infrastructure Finance Authority of Arizona (WIFA)
American Recovery and Reinvestment Act (ARRA)

Community Name:	Whetstone, AZ	Date:	03/05/2009
Project Contact:	Martin Garland	Phone:	520-281-7000
Project ID:	DW-190-2009	Email:	Martin.Garland@Algonquinpower.com
Project Title:	Meter Replacement Program		

Should this Application be considered for American Recovery and Reinvestment Act funds? ☒ Yes ☐ No . If Yes, complete the following questions below. If you have selected **NO**, skip to the bottom of this addendum and select submit.

As stated in the cover letter, the purpose of the Act is to provide funds that will stimulate job creation through swift initiation of infrastructure projects. The citation below requires WIFA to provide preference to those purposes.

SECTION 1: PREFERENCE FOR QUICK START

ARRA Sec. 1602. In using funds made available in this Act for infrastructure investment, recipients shall give preference to activities that can be started and completed expeditiously, including a goal of using at least 50 percent of the funds for activities that can be initiated not later than 120 days after the date of the enactment of this Act. Recipients shall also use grant funds in a manner that maximizes job creation and economic benefit.

1.1 As of February 17, 2009, when will your project be prepared to start construction?

☐ Already Started ☐ Within 60 days ☐ Within 120 days ☒ Within 180 days ☐ Within 365 days

To enter into a loan agreement, organizations must have debt authorization. If you are not sure what this requires for your organization, refer to WIFA's documents [WIFA Debt Authorization Guidance Document](#) and [Sample Debt Authorization Resolution](#).

1.2 Do you currently have debt authorization? ☐ Yes ☒ No . If no, when will do you plan on receiving debt authorization? Prior to: ☐

March, 3 2009 ☐ March 17, 2009 ☐ April 14, 2009 ☐ May 19, 2009 ☐ June 16, 2009 ☒ Other

1.3 After the start of construction, when will construction be completed and/or the final loan disbursement be requested from WIFA? ☐

Within 6 months ☒ Within 1 year ☐ Within 2 years ☐ Within 3 years

SECTION 2: USE OF AMERICAN IRON, STEEL, AND MANUFACTURED GOODS

ARRA Sec. 1605. Use of American Iron, Steel, and Manufactured Goods. (a) None of the funds appropriated or otherwise made available by this Act may be used for a project for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. (b) Subsection (a) shall not apply in any case or category of cases in which the head of the Federal department or agency involved finds that--

- applying subsection (a) would be inconsistent with the public interest;
- iron, steel, and the relevant manufactured goods are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or
- inclusion of iron, steel, and manufactured goods produced in the United States will increase the cost of the overall project by more than 25 percent.
- If the head of a Federal department or agency determines that it is necessary to waive the application of subsection (a) based on a finding under subsection (b), the head of the department or agency shall publish in the Federal Register a detailed written justification as to why the provision is being waived.
- This section shall be applied in a manner consistent with United States obligations under international agreements.

2.1 Are you willing to include this [Use of American Iron, Steel, and Manufactured Goods](#) requirement in your plans and specification documents and provide supporting documentation that you have complied with this requirement? ☒ Yes ☐ No

If No, please provide a brief explanation below:

2.2 If you have already solicited bids, was this requirement included? ☐ Yes ☐ No If No, would you be willing to re-bid? ☐ Yes ☐ No If you had to go back out and re-bid, please adjust your answer in Section 1, if necessary.

SECTION 3: WAGE RATE REQUIREMENT

Sec. 1606. Notwithstanding any other provision of law and in a manner consistent with other provisions in this Act, all laborers and mechanics

employed by contractors and subcontractors on projects funded directly by or assisted in whole or in part by and through the Federal Government pursuant to this Act shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United States Code. With respect to the labor standards specified in this section, the Secretary of Labor shall have the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267; 5 U.S.C. App.) and section 3145 of title 40, United States Code.

3.1 Are you willing to include this Wage Rate Requirement in your plans and specification documents and provide supporting documentation that you have complied with this requirement? ☒ Yes ☐ No
If No, please provide a brief explanation below:

3.2 If you have already solicited bids, was this requirement included? ☐ Yes ☐ No If No, would you be willing to re-bid? ☐ Yes ☐ No If you had to go back out and re-bid, please adjust your answer in Section 1, if necessary.

SECTION 4: POTENTIAL PROJECT DELAYS

4.1 To your knowledge, are there any issues such as NEPA compliance, SHPO compliance, Permit requirements, etc, that could possibly delay your project? ☐ Yes ☒ No
If yes, please explain briefly below:

SECTION 5: REPORTING REQUIREMENTS

5.1 Each Calendar quarter during construction, you will be required to provide a report outlining at a minimum the following information:

- Completion status of the project
- Estimated number of jobs created each quarter
- Estimated number of jobs retained since the last quarter

Will you be capable of providing this type of reporting? ☒ Yes ☐ No

5.2 Please estimate the total number of jobs that will be created or retained if this project receives ARRA funding and provide a brief explanation below:

Retainage of (1) technician to review data.
(1) Service person to install meters
(1) Service person to complete documentation

SECTION 6: GREEN, EFFICIENT, INNOVATIVE PROJECTS

6.1 Does your project address any of the following: green infrastructure, water or energy efficiency improvements or other environmentally innovative activities? ☒ Yes ☐ No

6.2 Sustainability Infrastructure Practices

Percentage of
Project

A. Water Re-Use & Conservation - Project/System

The use of improved technologies and practices to deliver equal or better services with less water.

- ☐ project will generate or utilize reclaimed water for direct re-use
- ☒ project will correct water loss issues
- ☒ project will enhance water conservation program(s)

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B. Energy Use & Conservation (Efficiency)

Includes capital projects that reduce the energy consumption of eligible water quality projects or produce clean energy used by a treatment works

- ☒ project will significantly improve system efficiency
- ☐ project will employ significant alternative energy sources and/or co-generation efforts

☐ project will include an Energy Audit

C. Green Practices (Green Infrastructure)

Green Infrastructure includes a wide array of practices at multiple scales that manage wet weather to maintain and restore natural hydrology by infiltrating, evapotranspiring and capturing and using stormwater.

☐ project will address stormwater through green infrastructure practices

D. Environmentally Innovative Projects

Projects that demonstrate new and/or innovative approaches to managing water resources in a more sustainable way, including projects that achieve pollution prevention or pollutant removal at the least life-cycle costs, subject to environmental review results. Includes approaches to incorporate green infrastructure into drinking water, stormwater and wastewater utility infrastructure and management.

☐ project utilizes solid waste reduction alternatives

☐ project meets EPA "Green Building" practices

☐ other: _____

6.3 As the Authorized Representative, I certify that the information contained in this application is, to the best of my knowledge, true, accurate, and correct.

First Name

Martin

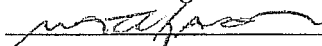
Last Name

Garlant

Title

Business Manager

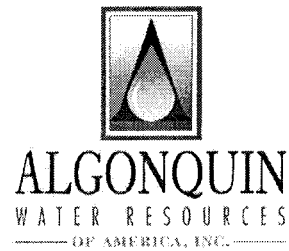
Authorized Signature:



Date: 3/5/09

This Application Addendum must be printed, signed and returned to WIFA within 5 days of electronic submittal

EXHIBIT 4



March 12, 2009

TO WHOM IT MAY CONCERN

RE: Debt Authorization

Algonquin Water Resources of America ("AWRA"), a Delaware corporation, owns 18 water and wastewater utilities in the States of Arizona, Texas, Missouri and Illinois. The following AWRA owned utilities are making applications to Arizona's Water Infrastructure Finance Authority (WIFA) for loans to finance capital works:

Litchfield Park Service Company (LPSCo), located in Litchfield Park, Avondale, Goodyear and Maricopa County;

Bella Vista Water Co, Inc. located in Sierra Vista and Hereford;

Northern Sunrise Water Company, Inc. located in Whetstone;

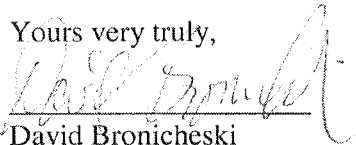
Southern Sunrise Water Company, Inc. located in Hereford;


Rio Rico Utilities Inc., located in Rio Rico; and

Black Mountain Sewer Corporation, located in Carefree and Cave Creek.

Debt Authorization is hereby granted as of this date to these utilities by AWRA, all of which is subject to approval of the Arizona Corporation Commission (ACC). Application to the ACC for approval of the debt will be made by each relevant utility within three (3) weeks of notification by WIFA that its application has been approved. Each utility has no control over the time it will take to receive ACC approval of the debt.

Yours very truly,


David Bronicheski
Chief Financial Officer


Robert Dodds
President

Algonquin Water Services, LLC
111 W. Wigwam Road
Suite B
Litchfield Park, AZ 85340

Ph: 623-935-9367
Fax: 623-935-1020